CHAPTER 376

## **EDUCATION - PUBLIC SCHOOLS**

HOUSE BILL 21-1325

BY REPRESENTATIVE(S) McCluskie and Herod, Garnett, Esgar, McLachlan, Amabile, Bacon, Benavidez, Bernett, Bird, Bockenfeld, Caraveo, Cutter, Exum, Froelich, Gonzales-Gutierrez, Jodeh, Kennedy, McCormick, Michaelson Jenet, Mullica, Ortiz, Roberts, Snyder, Titone, Valdez D., Young;

also SENATOR(S) Zenzinger and Rankin, Lundeen, Bridges, Buckner, Fenberg, Ginal, Gonzales, Kirkmeyer, Lee, Moreno, Priola, Rodriguez, Simpson, Story, Woodward, Garcia.

## AN ACT

CONCERNING ESTABLISHING A SCHOOL FINANCE LEGISLATIVE INTERIM COMMITTEE TO CONSIDER CHANGES TO THE METHOD FOR FUNDING PUBLIC SCHOOLS TO IMPROVE STUDENT ACHIEVEMENT, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

Be it enacted by the General Assembly of the State of Colorado:

**SECTION 1.** In Colorado Revised Statutes, **add** part 20 to article 2 of title 2 as follows:

## PART 20 LEGISLATIVE INTERIM COMMITTEE ON SCHOOL FINANCE

- 2-2-2001. Legislative interim committee on school finance creation. (1) Notwithstanding Section 2-3-303.3, there is created the legislative interim committee on school finance, referred to in this part 20 as the "interim committee", to study the issues described in Section 2-2-2002 and consider changes to the "Public School Finance Act of 1994", article 54 of title 22. In addition to meeting during the 2021 and 2022 legislative interims, the interim committee may meet during the 2022 and 2023 legislative sessions to approve legislation. The interim committee consists of:
- (a) Four members of the senate, with two members appointed by the president of the senate and two members appointed by the minority leader of the senate; and

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

- (b) Four members of the house of representatives, with two members appointed by the speaker of the house of representatives and two members appointed by the minority leader of the house of representatives.
- (2) (a) The appointing authorities shall appoint the members of the interim committee as soon as possible after the effective date of this part 20 but not later than thirty days after the effective date of this part 20. The appointing authorities shall, to the extent practicable, ensure that the members of the interim committee represent school districts in all areas of the state, including urban, suburban, and rural school districts, school districts with varying student demographics, and school districts of varying wealth in property valuation and local revenue. If a vacancy arises on the interim committee, the appropriate appointing authority shall appoint a member to fill the vacancy as soon as possible.
- (b) The speaker of the house of representatives shall appoint the chair of the interim committee for the two-year term of the interim committee, and the minority leader of the senate shall appoint the vice-chair of the interim committee for the two-year term of the interim committee. In the case of a tie vote, the chair of the interim committee shall cast an additional deciding vote.
- (3) The chair of the interim committee shall schedule the first meeting of the interim committee to be held not later than sixty days after the effective date of this part 20. The interim committee may meet up to five times during each interim in addition to any meetings held during the 2022 or 2023 legislative sessions.
- (4) The chair and vice-chair of the interim committee may appoint subcommittees. A subcommittee may include members of the interim committee and persons with technical expertise in school finance. Members of a subcommittee serve without compensation and without reimbursement for expenses.
- (5) THE DIRECTOR OF RESEARCH OF THE LEGISLATIVE COUNCIL AND THE DIRECTOR OF THE OFFICE OF LEGISLATIVE LEGAL SERVICES SHALL PROVIDE STAFF ASSISTANCE TO THE INTERIM COMMITTEE.
- (6) The interim committee may introduce up to a total of five bills, joint resolutions, and concurrent resolutions in each of the 2022 and 2023 legislative sessions. Bills that the interim committee introduces are exempt from the five-bill limitation specified in rule 24 (b)(1)(A) of the joint rules of the senate and the house of representatives. Joint resolutions and concurrent resolutions that the interim committee introduces are exempt from the limitations set out in rule 26 (g) of the rules of the house of representatives and rule 30 (f) of the rules of the senate. The interim committee is exempt from the requirement to report bills or other measures to the legislative council as specified in rule 24 (b)(1)(D) and rule 24A (d)(8) of the joint rules of the senate and the house

of representatives and in section 2-3-303 (1)(f). The interim committee is subject to rule 24A of the joint rules of the senate and house of representatives, except to the extent that the rule may conflict with this part 20. The interim committee may meet during the 2022 and 2023 legislative sessions to approve legislation. Bills recommended by the interim committee must be introduced by the introduction deadline for house bills specified in rule 23 (a)(1) of the joint rules of the senate and house of representatives. The chair and vice-chair shall jointly establish the last date for the single meeting at which the interim committee may approve bill requests, the last date by which interim committee members must finalize bill drafts or by which bill drafts will be deemed finalized for fiscal note purposes, and the last date by which the interim committee will consider and take final action on bill drafts.

- (7) The interim committee shall use ninety million dollars from the state education fund, created in section 17(4) of article IX of the state constitution, as necessary, for the implementation of school finance formula changes.
- (8) All expenditures that the interim committee incurs, including the cost of contracting for the study pursuant to section 2-2-2003, are subject to approval by the chair of the interim committee and, if approved, shall be paid by vouchers and warrants drawn as provided by law from appropriations made by the general assembly for the purposes of this part 20.
- **2-2-2002.** Issues to study recommendations to general assembly legislative declaration. (1) At a minimum, the interim committee shall study the Following issues:
- (a) How to modernize the "Public School Finance Act of 1994" to make the school finance formula more transparent, equitable, and student-centered;
- (b) Whether the current method for identifying at-risk pupils is an appropriate, accurate method for identifying and weighting students who, because of their life circumstances, are in greater need of services and supports to give them opportunities equal to those of their peers to achieve their academic potential, and, if not, the appropriate method for allocating additional resources to those pupils, which method may be informed by the poverty study commissioned pursuant to section 2-2-2003;
- (c) Whether to redesign the allocation of funding in the school finance formula for school district cost-of-living and personnel costs to limit funding to only significantly high-cost school districts though the creation of a fixed amount of additional per pupil funding for high-cost school districts;
- (d) The appropriate method to address small, remote, and rural school district funding, including whether a different weight should be applied in the school finance formula for the size factor for small, remote

SCHOOL DISTRICTS AND WHETHER TO REDESIGN THE DISTRIBUTION OF RURAL SCHOOL FUNDING RECEIVED PURSUANT TO SECTION 22-54-142;

- (e) ALTERNATIVE EDUCATOR SUPPORT FOR SCHOOL DISTRICTS FOR TEACHING STUDENTS ENROLLED IN KINDERGARTEN THROUGH SECOND GRADE; AND
- (f) The Benefits and Challenges of Incorporating Special Education Services funding into the School Finance Formula.
- (2) (a) The general assembly finds and declares that dramatic differences in local property wealth and the ability of some school districts to obtain voter approval to collect property tax revenue in addition to that provided by total program mill levies has led to inequity in the amount of funding available to serve students in school districts throughout the state. To lessen this inequity, it is appropriate to identify one or more methods by which to support efforts by low-property wealth districts to support the needs of their students through mill levy overrides for operating purposes.
- (b) Therefore, in addition to the issues specified in subsection (1) of this section, the interim committee shall design and recommend a program beginning in the 2022-23 budget year to support students by assisting low-property wealth school districts in obtaining voter approval for additional mill levies pursuant to section 22-54-108 by providing state matching money. In designing the program, the interim committee shall consider:
- (I) How to address out-of-district students and multi-district online programs that increase a school district's pupil count and total program funding but do not contribute to the collection of property taxes in the school district;
- (II) How the MIX of residential and non-residential property directly affects assessed values and the amount of property tax revenue collected in the school district due to differences in the assessment rates;
- (III) THE DISTRICT MILL LEVY CAPACITY THRESHOLD AT WHICH SCHOOL DISTRICTS WOULD BECOME ELIGIBLE FOR STATE MONEY TO MATCH MILL LEVY OVERRIDES AND HOW THE THRESHOLD WILL IMPACT THE NUMBER OF ELIGIBLE SCHOOL DISTRICTS;
- (IV) THE APPROPRIATE NUMBER OF MILLS A SCHOOL DISTRICT SHOULD BE LEVYING FOR TOTAL PROGRAM TO BE ELIGIBLE FOR THE PROGRAM;
- (V) THE APPROPRIATE MANNER IN WHICH TO CONSIDER INSTITUTE CHARTER SCHOOLS LOCATED IN SCHOOL DISTRICTS PARTICIPATING IN THE PROGRAM; AND
- (VI) Any other relevant considerations, as determined by the interim committee.
  - (c) The interim committee may introduce legislation pursuant to

SECTION 2-2-2001 TO IMPLEMENT THE PROGRAM DESIGNED AND RECOMMENDED BY THE INTERIM COMMITTEE PURSUANT TO THIS SUBSECTION (2).

(3) Based on the study of issues described in this section, the interim committee may make legislative recommendations to the general assembly addressing how to most accurately meet the educational needs of individual students through the funding of education in Colorado.

## **2-2-2003.** Poverty study - contract - report - legislative declaration - repeal. (1) (a) The general assembly finds and declares that:

- (I) Free and reduced-price lunch eligibility for the federal "Richard B. Russell National School Lunch Act", 42 U.S.C. sec. 1751 et seq., is a measure by which school districts receive additional funding through the At-risk factor in the school finance formula:
- (II) While many states provide additional funding based on reduced-price lunch eligibility, in Colorado, at-risk funding has traditionally been allocated only for students who are eligible for free lunch;
- (III) THE FEDERAL "RICHARD B. RUSSELL NATIONAL SCHOOL LUNCH ACT", 42 U.S.C. SEC. 1751 ET SEQ., WAS DESIGNED AS AN ANTI-HUNGER PROGRAM, NOT AS A SINGLE PROXY FOR CAPTURING STUDENT NEED. ECONOMIC DISADVANTAGE IS COMPLEX AND IS AFFECTED BY MANY FACTORS BEYOND INCOME, INCLUDING WEALTH, LOCAL COST OF LIVING, AND FLUCTUATING HOUSEHOLD EXPENSES.
- (IV) In the long term, Colorado's reliance on free lunch eligibility as the singular poverty proxy for school finance purposes is inaccurate and unsustainable, and serves as a barrier to delivering essential resources to students who need them;
- (V) Free Lunch Eligibility is a binary measure by which a student is considered economically disadvantaged or not and fails to account for varying levels of poverty and the corresponding levels of need that exist among student populations;
- (VI) The recent changes to federal policy that allow all students to receive a free lunch without submitting an income eligibility form negatively impacted Colorado's at-risk pupil count in the 2020-21 school year and will continue to do so in the 2021-22 school year, which may result in another undercount and underestimation of resources needed to serve economically disadvantaged students;
- (VII) ADDITIONALLY, DURING THE COVID-19 PANDEMIC, COLORADO'S DECENTRALIZED METHOD OF COLLECTING INCOME ELIGIBILITY DATA CREATED BARRIERS TO REACHING FAMILIES WHO WERE ELIGIBLE FOR PANDEMIC ELECTRONIC BENEFIT TRANSFER PAYMENTS, RESULTING IN FEWER THAN HALF OF THE ELIGIBLE CHILDREN RECEIVING THE BENEFIT;
  - (VIII) DUE TO THE CONTINUED USE OF THE MISALIGNED PROXY FOR DETERMINING

STUDENT NEED AND THE CONTINUED UNDERESTIMATION OF ECONOMIC DISADVANTAGE, COLORADO STUDENTS WHO WOULD BENEFIT THE MOST FROM ADDITIONAL SUPPORT ARE GOING WITHOUT IT; AND

- (IX) STATE POLICY CAN MORE ACCURATELY ACCOUNT FOR AND RESPOND TO STUDENTS' ECONOMIC CIRCUMSTANCES. OTHER STATES HAVE MOVED AWAY FROM RELYING ON ONE SELF-REPORTED MEASURE, SUCH AS FREE AND REDUCED-PRICE LUNCH ELIGIBILITY, TOWARD AN INDEX OF MEASURES OF NEED THAT AUTOMATICALLY QUALIFY STUDENTS FOR SCHOOL MEALS OR FOR ADDITIONAL FUNDING THROUGH THE SCHOOL FINANCE FORMULA.
- (b) Therefore, the general assembly declares that studying methods to identify economic disadvantage among students precisely and holistically is an important and necessary goal in providing public schools with the resources necessary to enable all students to achieve academic success.
- (2) (a) To understand alternative approaches to better identify economic disadvantage among students, the interim committee, subject to available appropriations, shall contract with a third-party vendor to complete a study to analyze various methods of measuring student economic disadvantage and the necessary data and systems alignment that would be needed to incorporate those measures into the state's school finance formula.
- (b) The interim committee shall issue a request for proposals for qualified third-party vendors to complete the poverty study described in this section. By September 1, 2021, the interim committee shall contract with a vendor that has expertise or demonstrated experience assisting states in examining measures of economic disadvantage for purposes of school funding. The chair of the interim committee, in consultation with the interim committee members and the department of education, shall select the third-party vendor to complete the poverty study.
- (3) APPROACHES FOR ANALYZING OR IDENTIFYING STUDENT ECONOMIC DISADVANTAGE AS PART OF THE STUDY MAY INCLUDE BUT ARE NOT LIMITED TO:
  - (a) DIRECT CERTIFICATION;
  - (b) DIRECT CERTIFICATION WITH THE INCLUSION OF MEDICAID;
  - (c) Free and reduced-price lunch eligibility with hybrid approaches;
- (d) Economic disadvantage measures at the census block group level; and
- (e) Other more accurate approaches taken by states to measure student economic disadvantage.
  - (4) FOR EACH APPROACH, THE ANALYSIS MUST INCLUDE:

- (a) The availability of data by school district, census block group, or other relevant geographic boundaries;
- (b) The distributional effects for school district shares of the state count of low-income students;
- (c) Barriers to accessing data, including information technology and data-sharing limitations among agencies that may use the data;
- (d) The approach's potential to meet important principles and policy objectives, including:
- (I) Ensuring the most accurate count possible of students experiencing economic disadvantage;
- (II) Maintaining an individual student indicator of economic disadvantage:
  - (III) DIFFERENTIATING AMONG LEVELS OF ECONOMIC DISADVANTAGE;
- (IV) DECREASING THE ADMINISTRATIVE BURDEN ON SCHOOLS AND SCHOOL DISTRICTS TO COLLECT DATA AND THE BURDEN ON STUDENTS AND FAMILIES TO PROVE ELIGIBILITY;
- (V) ALLOWINGFOR COLORADO'S LONG-TERM ABILITY TO IDENTIFY LONGITUDINAL STUDENT ACHIEVEMENT TRENDS;
- (VI) Allowing for coordination across agencies and their use of indicators of economic disadvantage for public program eligibility;
- (VII) Ensuring student privacy and confidentiality of student records; and
- (VIII) ENSURING THAT THE APPROACH IS INCLUSIVE OF ALL STUDENTS, INCLUDING THOSE WHO ARE HOMELESS OR WHO LACK DOCUMENTATION.
- (5) The study must also determine the estimated costs of linking data across systems that are maintained by different agencies, for example, the cost of system changes or upgrades that would be needed to match student records with the records of other assistance programs in which students are enrolled.
- (6) WHILE COLORADO CONTINUES TO USE FREE AND REDUCED-PRICE LUNCH ELIGIBILITY AS A POVERTY INDICATOR BECAUSE OF FEDERAL PROGRAM REQUIREMENTS, THE STUDY MUST ANALYZE BENEFITS AND DRAWBACKS OF MAKING THE ELIGIBILITY FORM SECURE AND ACCESSIBLE ONLINE FOR FAMILIES.
- (7) Not later than January 1, 2022, the third-party vendor selected pursuant to subsection (2) of this section shall provide the completed poverty study of the measures of economic disadvantage studied and analyzed pursuant to this section to the interim committee, the joint

BUDGET COMMITTEE, AND THE EDUCATION COMMITTEES OF THE HOUSE OF REPRESENTATIVES AND THE SENATE, OR ANY SUCCESSOR COMMITTEES. THE STUDY'S ANALYSIS MUST ALLOW MEMBERS OF THE GENERAL ASSEMBLY TO EVALUATE EACH APPROACH, IN ISOLATION OR AS A COMBINATION OF APPROACHES, ACCORDING TO THE PRINCIPLES AND POLICY OBJECTIVES SET FORTH IN SUBSECTION (4)(d) OF THIS SECTION.

**2-2-2004.** Repeal of part. This part 20 is repealed, effective July 1, 2023.

**SECTION 2. Appropriation.** (1) For the 2021-22 state fiscal year, \$100,153 is appropriated to the legislative department. This appropriation is from the general fund. To implement this act, the department may use this appropriation as follows:

- (a) \$9,411 for use by the general assembly;
- (b) \$78,538 for use by the legislative council, which amount is based on an assumption that the legislative council will require an additional 0.3 FTE; and
- (c) \$12,204 for use by the office of legislative legal services, which amount is based on an assumption that the office will require an additional 0.2 FTE.

**SECTION 3. Safety clause.** The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, or safety.

Approved: June 29, 2021